

A TO Z
BOOK



ON RESIDENTIAL
HVAC
SERVICE BUSINESS

**MASTERING A THRIVING
RESIDENTIAL HVAC BUSINESS**

WENDELL BEDELL

A to Z Book on Residential HVAC Service Business

Best-of-the-Best Operational Practices

©January 18, 2022, Wendell Bedell
22 Glenwood Drive
Springfield, NH 03284
Phone 603-557-1611
Website www.HVACProPodcast.com

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Welcome to the Fastest Means to Success



To work for yourself, be your own boss, and run your own HVAC business – for many, these phrases describe the American dream. However, becoming a successful HVAC business owner is not an easy task. It requires skill, motivation, demanding work, and good luck. The HVAC business owner stands on the brink of a fantastic future with a thousand HVAC-related business questions that need answers.

This **HVAC Business Operating Manual** is researched based on proven operating practices for a Residential Service & Replacement Business. Each departmental chapter provides a set of proven business processes, methodologies, and governances for a successful Residential HVAC business, designed to FAST TRACK your business growth and development efforts. Discover how the HVAC processes included in its chapters are fueling contractor success. Even in these fast-changing times, hundreds of the top residential HVAC service companies throughout the US and Canada have been established.

Residential Service & Replacement Business is Defined

A residential HVAC service and system replacement business fall into a unique HVAC business category. They fall in with those that directly market, sell, and deliver services to individual homeowner consumers versus construction companies or those that serve commercial, industrial, and institutional HVAC building markets.

Direct marketing, selling, and delivering services entails any marketing, any onsite Opportunity Assessment Checklist, or lead generation process. These rely on direct communication or distribution to the individual homeowner consumer, rather than through mass media, e.g., internet, radio, TV. These contractors have moved away from print media and now directly reach the homeowner buyer through social media, email, texting, and follow-up opportunities by phone or mail.

What Most HVAC Contractor Owners Want

Use this manual to help you create an improvement action plan to your unique business needs and to help guide your business quickly towards the 3-key HVAC business success objectives:

1. **Make the phone ring more** by:
 - a. Improving targeting to generate more qualified leads.
 - b. Improving offering resonance, differentiation, and substantiation in your value propositions.

- c. Improving your sales skills to uncover complete needs set, establish relationships, communicate solutions, negotiate a plan of attack to win business, and close deals.
 - d. Improving lead conversion rates through your brand, lead nurturing, and relationship building.
2. Improving internal communication of all work delivery stakeholders to discuss offerings and pricing models.
3. **Make more money by:**
- a. Improving upfront pricing to make a fair profit while recovering field non-chargeable time.
 - b. Improving the perception of service/work delivery quality.
 - c. Improving the internal perception of your work, team, and company.
 - d. Improving relationships with your people, establishing suitable structures, and the right processes.
 - e. Improving surveying, estimating, and proposal writing to minimize risk, liabilities, and meeting customer work delivery and financial transaction expectations.
 - f. Improving cash flow and maximizing resources with proper monthly budgeting and staffing loading.
 - g. Improving operating performance by using daily financial and work tasking operating performance benchmarks and rules-based management to maximize company profitability and business value.
 - h. Improving productivity using performance-based incentives and incentive programs.
4. **Make more FREE time for themselves and their family by:**
- a. Improving and implementing written standard delivery procedures that begin with a lead and go right through work close-out for all your work categories.
 - b. Improving staff motivation by implementing an employee handbook, performance-based job descriptions, and performance incentives.

HVAC Business Operating Manual Client Results

- 100% profitability & sustainability via pricing operating standards..
- 65%+ increase service revenues.
- 400%+ increase in system replacements.
- 85%+ service agreement close rates.
- 99% call-backs reduction.
- 100% customer retention.

- 100% employee retention.
- And yes, by freeing up more personal time.

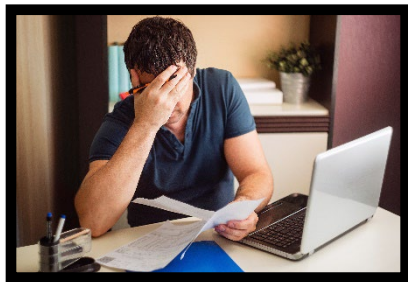
The contractors getting these results to understand the classic rules for making a first-rate service call, namely:

- Get there at the promised time.
- Diagnose the problem accurately.
- Decide whether best to repair or replace.
- Perform the work right the first time.
- Leave the work area better-looking than it was initially.

They understand extending training beyond training service technicians and installers; they also include support staff. Each employee in your service business should have:

- The knowledge to do the job right the first time.
- A desire to serve the customer in the best manner possible.
- A desire to work in an employee-friendly workplace that prioritizes making employees happy at work. We find that workforces with an elevated level of job satisfaction can positively affect productivity, customer satisfaction, and overall profitability.

We, Contractors, Have a Poor Profitability Problem



Did you know that there are 196,000 HVAC Contractors throughout the U.S. and Canada? Studies show they ALL share a single common goal. They want to be successful-- for their families, employees, customers, and themselves.

If this sounds a lot like you and your company, doesn't it? Unfortunately, the US Census Bureau reported that the average HVAC contractor makes only 2.3% Net Profit Before

Taxes. Now, which is powerfully close to making no money. Making no money is why 10% of all HVAC companies quickly experience serious cash flow problems that result in some suffering business failures. 2.3% net profit means 97.7% have POOR Profitability. However, they deserve 12%-20% due to the risk of doing business touching homeowners' equipment and properties.

Most contractor owners and managers who get into the business indeed have little experience or training in the BUSINESS of HVAC contracting, marketing, or selling. Most are technicians who know how to work in the industry. Many owners make a fatal assumption: if you understand the technical work, you understand a business that does that technical work. This assumption is so lethal because it is simply not true. It is the root cause of most HVAC poor profitability and business failures.

What makes the ultimate difference between the success or failure of your contracting business is primarily how you think about your business, as opposed to how hard you work in it. Let us think about improving you and your family's life by developing a company built on extraordinary business processes; about getting a life that is yours.

With this new thinking, let us explore these questions that contractors typically ask us when they begin thinking about improving their business and their life.

- How can I get my business to work without me?
- How can I get my people to work without my constant supervision?
- How can I standardize my business to be replicated and run smoothly every time?
- How can I own my business and still be free of it?
- How can I spend the time doing the work I love rather than the work I have to do?

This **HVAC Business Operating Manual** provides ANSWERS to improve your business's profitability and improve your personal quality-of-life questions.

We will first need an understanding of the four common poor profitability business symptoms. Then second, we need an understanding of the eight associated poor business processes that cause these poor profitability symptoms. The Manual's Table of Contents will direct you to find your unique solutions in the Manual.

Poor Profitability Business Symptoms

1. **Poor Cash Flow:** Cash flow is one of the essential aspects of operating an HVAC business. Cash flow should not be confused with profit - they are different concepts. Cash flow shows the money flowing into a business from sales. Interest payments received any borrowings and the amount of money flowing back out of the business.

Suppose the cash flowing into a business does not promptly meet the cash flowing out. In that case, eventually, a company will be unable to meet its debts and could be forced out of business. Hence to the old saying, "Cash is King."

The poor cash flow poor profitability symptom is defined as more cash flowing out than in – and is the single biggest reason many HVAC businesses fail. The unfair truth is this. The HVAC services you provide may be top quality, and your business could be sound in every other way. Still, if you are not managing cash flows, the business could eventually disappear.

2. **Low or Cyclic Revenues:** They have low or cyclic revenues. Also known in our industry as a "feast or famine" sales cycle. Poor lead generation can result in catastrophic cash flow problems. Poor off-website lead generation such as Google Ads, Facebook AdWords, and

Bing Ads attributes cyclic revenues and insufficient cash flows. Not using onsite **Opportunity Assessment Forms** on all calls also attributes to cyclic revenues and inadequate cash flows. These result in contractors missing 65% or more in revenue opportunities.

3. **Poor Customer Retention:** They have poor customer retention, which is a death knell to any service-based HVAC business. All HVAC businesses rely on customer retention to keep their companies flourishing and growing. The key to your success is not a one-time buyer but the repeat buyer. Repeat buyers keep coming back and become the base of your business that you can rely on for future business. That is why customer retention is so necessary - if none of your customers return, you will never grow.

The cost of poor customer retention is huge. When customers leave your business, they take their money to your competitor. You've not only lost revenue for your business, but you have also increased the profitability of your competition. It is a "double whammy" that can irreparably damage your business. We designed this manual to help you identify and initiate fixes to specific aspects of your business operations and work delivery processes that lessen customer dissatisfaction.

4. **Poor Employee Recruiting/Retention:** They have poor employee recruiting and retention, preventing them from finding, getting, and keeping good people. Low morale is the leading cause of employee turnover and poses a massive barrier to retaining your best employees effectively. According to Sirota Survey Intelligence and the authors of The Enthusiastic Employee, 63% of those who do not feel treated with respect intend to leave within two years. Do you know what low level of employee morale could be costing your organization?

Management understands that the primary reason an employee feels treated disrespectfully or unfairly is when a manager shows indifference toward its staff's working conditions. How an employee feels how well respected they feel is also related to how motivated they are about their employment with your company. Focusing on this one area has the most impact on how an employee feels and where you can retain them.

Compounding good people leaving the company is the failure to pay them like owners for their profitable contributions to the business. Another key reason for people terminating is the failure of management to train their staff on best practice work delivery standards.

Here is a list condensed from hundreds of HVAC employees on why they leave:

- They are tired of begging or threatening to quit to get a fair wage.
- They are tired of working for a company with no professional HVAC pricing, work delivery, or safety standards.
- They are tired of not being given the proper responsibility and authority to satisfy their customers 100% of the time.
- The company does not pay for or provide co-pay for medical insurance.

- They are tired of spending way too much time driving to work when they are right here in their backyard.
- They do not want to have sales quotas.
- They want career growth opportunities.
- Or fail to recognize, properly incentivize, and reward people for job performance well done.
- Management shows indifference to their basic need to be treated by management with respect and trust.

Poor Business Processes That Cause Poor Profitability

Let us take these poor profitability symptoms and review their associated business process problems. These 14-common poor business processes result in poor profitability. They are shown below in the order from most significant to most negligible impact on poor profitability and sustainability:

- 1. Under-pricing as a primary closing mechanism** – Impacts Symptoms 1. Poor Cash Flows & 2. Low or Cyclic Revenues:
 - a. It does not correctly recover technician and installer non-chargeable billable hours.
 - b. It does not recover warranty labor and material support costs.
 - c. It does not recover the overhead cost.
- 2. Poor or no lead generation** – Impacts Symptoms 1. Poor Cash Flows & 2. Low or Cyclic Revenues:
 - a. It does not get access to residential HVAC work via AdWords campaigns thru Facebook, Google, Bing, and other social media platforms.
 - b. It does not have a residential-friendly website.
 - c. It does not use onsite opportunity assessment forms to identify all service opportunities on all service and sales calls.
 - d. It does not convert catastrophic repairs to replacements by helping consumers with the repair or replace decision.
 - e. It does not continue to harvest all available service opportunities post-call via seasonally timed direct email and text campaigns to target customers.
- 3. Lack of service/product brand differentiation** – Impacts Symptoms 1. Poor Cash Flows & 2. Low or Cyclic Revenues & 3. Poor Customer Retention:

- a. It does not create a name, symbol, or design for service repairs, maintenance agreements, or replacements that are distinguishable as belonging to the company.
- b. It does not use branding services to help customers identify your product and distinguish them from competitor products and services.

4. Lack of value-added selling process – Impacts Symptoms 1. Poor Cash Flows & 2. Low or Cyclic Revenues & 3. Poor Customer Retention:

- a. It does not use proactive selling vs. using reactionary selling.
- b. It does not interview customers about the system and customer needs for resolving their comfort, health, safety, property, or financial requirements.
- c. It does not make the customer aware of service options before walking their system.
- d. It does not use company-created rebates to get down to their walkaway price to show higher levels of value to the customer on a request for free estimates.

5. Absence of defined operating & work delivery processes - Impacts Symptoms 1. Poor Cash Flows & 2. Low or Cyclic Revenues & 3. Poor Customer Retention & 4. Poor Employee Recruiting/Retention:

- a. It does not motivate staff to perform at higher levels by using 100% customer satisfaction, 100% company profitability, and 100% employee-friendly written work delivery processes.
- b. It does not use work delivery standard procedures to provide staff with the “How-to-do-Book” job training guides.
- c. It does not have the ability to reduce mobilization and human errors, missed tasking, and business risk.
- d. It does not have the ability to eliminate call-backs via quality control start-up, test & verification forms.

6. Improper payment & liability protection terms & conditions - Impacts Symptoms 1. Poor Cash Flows & 2. Low or Cyclic Revenues & 3. Poor Customer Retention:

- a. It does not use proper transaction terms and conditions in its proposals to prevent serious disruptions in cash flows and job costs overruns
- b. It does not have proper proposals or invoices that defines the scope of work, protect payment, and eliminate job risk liabilities for all work categories

7. Lack of labor-management controls - Impacts Symptoms 1. Poor Cash Flows & 2. Low or Cyclic Revenues & 3. Poor Customer Retention & 4. Poor Employee Recruiting/Retention:

- a. It does not use written step-by-step work delivery standards to enable managing people to process.
- b. It does not use job descriptions with clear job expectations and establish behavior with customers, company, and fellow employees.
- c. It does not use performance pay for management, office, or field staff to influence work behaviors to achieve conversion rates and the budgeted job hours.
- d. It does not track the billable efficiency of each field staff member.
- e. It does not track actual and compares to industry conversion rates for system fixes, enhancements, accessories, replacements, and the individual service technician, selling technician, and comfort advisor.

8. Lack of year-round labor recruiting & retention strategies - Impacts Symptoms 1. Poor Cash Flows & 2. Low or Cyclic Revenues & 4. Poor Employee Recruiting/Retention:

- a. It does not continuously recruit to find the best people.
- b. It does not have a professional-looking website.
- c. It does not use social mediums like Facebook for advertising a position.
- d. It does not create recruiting handouts and flyers.
- e. It does not make sure job descriptions match the position.
- f. It does not have a competitive benefits package.
- g. It does not use employee networks to recruit.
- h. It does not educate techs and installers on typical repair and replacement call handling results.
- i. It does not train technicians on soft-skill communication, provide scheduled manufacturers product training, NATE certification, or conduct in-house technical cross-training.

9. Organizing the business for growth - Impacts Symptoms 1. Poor Cash Flows & 2. Low or Cyclic Revenues & 4. Poor Employee Recruiting/Retention:

- a. It does not logically organize and group the office administration delivery function.
- b. It does not logically organize and group the sale delivery function.
- c. It does not logically organize and group the service delivery function.

- d. It does not logically organize and group the system replacement delivery function.
- e. It does not logically organize and group the construction delivery function.

10. Organize the customer care & dispatch function - Impacts Symptoms 1. Poor Cash Flows & 2. Low or Cyclic Revenues & 4. Poor Employee Recruiting/Retention:

- a. It does not correctly organize customer care inbound call center functions.
- b. It does not correctly organize customer data for easy access by the receptionist and the dispatch function.

11. Forecasting staffing and expense budgets

- a. It does not create a monthly spend plan for labor and equipment material.
- b. It does not identify break-even monthly revenue to cover operating expenses – or as they say, “just to keep the lights on.”

12. Recruiting & retaining top performers

- a. It does not continuously recruit.
- b. It does not use upfront pricing with the customer.
- c. It does not price the ability to hire and retain the best people.
- d. It does not use performance incentive pay for personal contributions to company profitability.
- e. It does not use customer or employee-friendly work delivery standards.
- f. It does not use job descriptions to communicate employee job and work behavior expectations.

13. Lack of financial management skills & business mix tracking software - Impacts Symptoms 1. Poor Cash Flows & 2. Low or Cyclic Revenues & 3. Poor Customer Retention & 4. Poor Employee Recruiting/Retention:

- a. It does not use key performance indicators for driving per call opportunity conversions rates.
- b. It does not use key performance indicators for driving business revenues, cost-of-goods-sold, overhead, and net profit before taxes in positive profit directions.
- c. It does not have the ability to connect the office with the field to schedule more jobs and get paid faster.
- d. It does not harvest post-call opportunities via obtained email or text.

- e. It does not allow technicians or installers to capture customers' signatures authorization to work directly on their smartphone or tablet.
- f. It does not auto record individual staff payroll clock in/clock out for time-based payroll reports and more.
- g. It does not use proper customer call handling to inform the customer when the service technician or installation crew is on their way via text or email.
- h. It does not integrate estimates with emails to send customers estimates, job confirmations, or invoices right from the office or field handheld and smartphones.
- i. It does not get a business performance snapshot of total calls, inbound, outbounds, and no-answer calls.
- j. It does not see what channel leads came in from, why the customer called, and whether it converted into a job or an estimate.
- k. It does not easily access customers' contact information or establishes their personal communication preferences.
- l. It does not have the ability to obtain work updates, make deposits, send invoices, take payments automatically, and seamlessly update QuickBooks for you
- m. It does not have immediate access to all customer contacts and equipment information to enable the job to be fixed or installed the first time.

14. Lack of leadership training & education

- a. It does not use proven staff motivation techniques.
- b. It does not understand the four leadership characteristics.
- c. It does not have a continuous leadership skill self-development plan.

The Good News is With this Manual There is Hope



The more profitable residential HVAC contractors are growing and making up to 20% or more even during these tough economic times. Many of our clients have a banner year because they build up their service agreement base and provide top-notch professional HVAC services. There is no secret. It is all about managing people to processes.

We created this manual as a guide as a low-cost means to help residential HVAC contractors implement efficient and effective professional operations used by the more profitable contractors.

What our more profitable HVAC contractors are doing differently from the rest? Our clients use this manual's proven residential/commercial processes, methodologies, governances, and associated delivery forms within their residential HVAC business.

Within each chapter, we reference business standards and forms. To order, go to Appendix A – Need Help? Order These Business Operating Documents

Characteristics of HVAC Service & Replacement Business Success

This manual will help you obtain these successful characteristics of success as found in the top HVAC residential business throughout the US and Canada:

- They possess a service delivery strategy developed for each offering and marketed to consumers, especially their employees.
- They know that employee relations mirror customer relations and understand that employees with positive attitudes about their company will transmit this to their customers.
- They automate service systems that are high touch everywhere possible with a 100% consumer satisfaction focus and a 100% employee-friendly focused built-in delivery process.
- They measure their business and service delivery performance to verify that their pricing, labor productivity, and work delivery processes are profitable. They also make the results known to all work delivery stakeholders.
- They do not invoice any customer willing to “pay-now” upon completion.

How to Use This Operating Manual



This operations and procedure manual contain the best-of-the-best-practice information about operating a retail, residential HVAC business. You can use the processes right off the shelf or customize them to your unique business requirements.

This manual is created specifically for your administration, service, and system replacement department management and staff. It provides you and them with a resource to refer

to when in doubt about how to go about a task, specific business policy, or work delivery process and forms.

It is a terrific manager reference guide for choosing the right direction for your residential business. It is also a great starting point for the person who knows nothing about successfully running a profitable and sustainable residential HVAC business.

Within each chapter, we reference business standards and forms. To order, go to Appendix A – Need Help? Order These Business Operating Documents

Where should you start? We recommend implementing the Pricing Services for Profitable Growth & Sustainability chapter. Business consultants always begin by verifying that the business is pricing its work to be profitably sustainable. The first thing to do is make sure you can cover operating overhead expenses to keep the door open and to be able to make payroll. Not to mention that not paying staff is illegal.

We recommend that you work through the chapters in the same logical approach that business consultants use. Start with #1 and then continue consecutively through #14-chapter order to have the most significant impact on your profitability and sustainability.

14-Business growth and developing chapters

- #1 How to Stop Under Pricing Your Services to Make a Fair Profit.
- #2 How to Stop Missing Your Fair Share of Service Opportunities.
- #3 How to Stop Losing to Competitors by Value Positioning Your Services.
- #4 How to Stop Selling and Start Consulting & Telling.
- #5 How to Stop Inefficiencies with Proven Work Delivery Standards.
- #6 How to Stop No Pay & Business Risk with Proper Terms & Conditions.
- #7 How to Stop Losing Good People with Proper Hiring & Retention Strategies.
- #8 How to Stop Lost Profitability by Driving the Business with KPIs.
- #9 How to Stop Chaos by Organizing the Business for Growth.
- #10 How to Stop Losing Customers via Proper Customer Care Handling.
- #11 How to Stop Losing Financial Control by Forecasting Monthly Labor & Expenses.
- #12 How to Stop Your Inability to Recruit & Retain Top Performers.
- #13 How to Stop Manual Operating Chaos with Field Management Software.
- #14 How to Develop Your Leadership and People Skills.

Implementing Change Within Your Business Guidelines

To make a change in procedures will require effective change management techniques to include:

- Inform the affected employees of the change or changes well before implementation.
- Explain the reasons for the change to improve customer satisfaction levels and efficiencies.
- Explain how the change will impact their work tasking.
- Explain to all stakeholders the process to follow to implement the change.
- Allow them to participate in making the changes.

Need Help? Simply give us a call or click the link to schedule an appointment

[CLICK TO SCHEDULE AN FREE, NO-OBLIGATION PRIVATE APPOINTMENT](#)

Wendell Bedell, President, GrowMyHVAC, & CEO HVACPro Mastering a Thriving HVAC Business podcast.

Business Growth Coach

P: (603) 557-1611

E: Info@HVACProPodcast.com

W: <https://hvacpro.libsyn.com>

Here are Some Basic Ground Rules of Effective Business Management

Your employees are the ones delivering your products and services. It is your manager's job to make sure they do it efficiently. There are some universally “wrong” ways to manage an HVAC business. Ignoring them has caused many thousands of contractors to go out of business within the first 5-years of opening their doors. Another 10% goes out of business every year after that.

It would be best if you avoided them by complying with this 6-Pack of essential business operating ground rules of effective management:

1. You only need employees in your business for processing your book of business.
2. You need written business and work delivery processes for employees to follow.
3. You need job descriptions with all employees to get them under contract to provide a set of labor tasking services for a fee (wages).
4. You only need managers in your business to manage your people to process.
5. You should staff up to near as possible to 100% labor utilization to prevent higher operating costs versus the competition. Underutilized labor capacity recovery in your pricing can cost you jobs.
6. You should have proper payment and transaction terms and conditions to protect the business from non-payment and regular business operating liabilities.

#1 How to Stop Under Pricing Your Services to Make a Fair Profit



Isn't it time to stop underpricing your repair, system fixes, enhancements, and replacement services? Underpricing just not only hurtful to you, but it is hurtful to your company and its people, too. In this chapter, you will learn how to price your services to make a fair profit to prevent

Many contractors will always charge more for their services than you. There will always be contractors out there who

Wendell Bedell, President/CEO, Biography



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Founded 2019 Join HVAC Succes

Founded 2001 Grow My HVAC

He has established himself as an expert sales trainer, business manager, author, and inspirational speaker in demand nationwide and in Canada. He has trained thousands of HVAC professionals, conducted several hundred HVAC Business Evaluations, and authored seven residential and commercial marketing, sales, and general-service management publications.

He has been a keynote speaker and trainer for ACCA, Design-Build Seminar, Comfortech, HVAC Service Summit, CMX & HRAC of Canada. He has sat on the Contractor Magazines Advisory Board. He has over 25 years of experience as a proven Sales and Marketing manager developing successful residential and commercial-industrial building systems and service businesses.

Before founding Grow My HVAC, in 1998, he was President of Excellence Alliance University, an HVAC and electrical training subsidiary of Excellence Alliance, Inc., with functional responsibility for day-to-day operations, residential and commercial-industrial education program development, and instruction.

Before that, he worked for Boston Edison and Central Maine Power for three years, establishing two high-technology design/build and energy services businesses. As Strategic Regional Manager, he was responsible for the product, promotion, and business delivery development and for recruiting, staffing, training, and deploying the account executives, design engineers, and project managers. He was also for six years on the staff of the largest independent mechanical services contractors in the Northeast -- BALCO, Inc., Boston, MA, and New England Mechanical Services, Hartford, CT. As Account Executive and Sales Manager, he won three consecutive national Most Valuable Performer Awards and several Top Managers Awards.

He holds a Master in Business Administration from the University of Hartford (1990), a Bachelor in Business Management, Westfield State College (1987), and an Associate in Industrial Electronics, New Hampshire Technical College (1981).